



**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORTS AND ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



Nigatu Abebe Certified Audit Firm
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**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORTS AND ANNUAL FINANCIAL STATEMENTS
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FOR THE YEAR ENDED 31 DECEMBER 2022**

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**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORTS AND ANNUAL FINANCIAL STATEMENTS
KEY ORGANIZATION INFORMATION AND MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Organization TIN

0001594063

Executive management (as of 31 December 2022)

Name	Position
Firehun Gebreyohanes	Country Representative
Kifle SebGaze	Program Manager
Beneber Teshome	Finance Manager

Office Address

SIDDARTHA DEVELOPMENT ETHIOPIA
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Tel: +251 111 26 66 56
P.O. Box: 25676/1000
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Principal Bankers

Commercial Bank of Ethiopia
NIB International Bank
Awash Bank

Independent auditor

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**SIDDARTHA DEVELOPMENT ETHIOPIA
REPORTS AND ANNUAL FINANCIAL STATEMENTS
REPORT OF THE MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Management has pleasure of presenting their report on the affairs of SIDDARTHA Development Ethiopia (the Organization) together with the financial statements for the year ended 31 December 2022. This report discloses the financial performance and state of affairs of the Organization.

Background information

SIDDARTHA Development Ethiopia (the Organization) is a foreign civil society Organization, non-religious, not for profit and has been in operation in Ethiopia since 2001. The Organization is focusing on improving the lives of the marginalized section of the community. Since its establishment in 2001, the Organization envisages to provide the best of itself for unprivileged members of the society in a passion that they can be self dependent. To realize its vision, the Organization implements various projects through a fund mobilized by SIDDARTHA Belgium from a great circle of people, professionals and Volunteers. In the year 2022 Siddartha Development Ethiopia has also received fundings from Ethiopian Red Cross Society (ERCS)/Danish Red Cross (DRC) and from Ministry of Women and Social affairs (MoWSA). The Organization is actively working towards improving the socio-economic condition of street children; homeless people; women headed poor families or with no income; Orphaned Children Living with HIV/AIDS; Vulnerable Children, Adolescents & Youths.

SIDDARTHA Development Ethiopia has attempted to reach more people and improve its services step wise. The Organization in its effort to address the problem of unprivileged section of the community provides different services and achieved considerable results during the last 23 years of service to the people of Ethiopia.

Principal Activities

The principal activity of the Organization include support program for women headed families ,support program for vulnerable children, adolescents and youths, support program for children living with HIV/AIDS ,support Program for street children and homeless people, urban destitute support program and Support Sick and/ or elderly people

Results

The results of the Organization for the year ended 31 December 2022 are set out on page 9. The summarized results of the Organization are presented below:

	<u>2022</u>	<u>2021</u>
Revenue	35,430,699	32,792,271
Expenses	<u>37,101,213</u>	<u>21,390,833</u>
(Deficit)/surplus for the year	(1,670,514)	11,401,438

Management

The management team who serve during the year are set out on page 3.

Auditors

Nigatu Abebe Certified Audit Firm were appointed by the Management to carry out the audit of the Organization for the year ended 31 December 2022.


Firehun G/Yohannes
 Country Representative
 Siddartha Development Ethiopia
 Addis Ababa—Ethiopia

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SIDDARTHA DEVELOPMENT ETHIOPIA
REPORTS AND ANNUAL FINANCIAL STATEMENTS
STATEMENT OF MANAGEMENT RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Financial Reporting Proclamation No. 847/2014 requires the organization to prepare its financial statements in accordance with the International Public Sector Accounting Standards (IPSAS).

The Financial Reporting Proclamation No. 847/2014, require the Management to prepare their financial statements in respect of that Organization, which give a true and fair view of the state of affairs of the Organization at the end of the financial year/period and the operating results of the Organization for that year/period. The Management is also required to ensure that the Organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the Organization. The Management is also responsible for safeguarding the assets of the Organization.


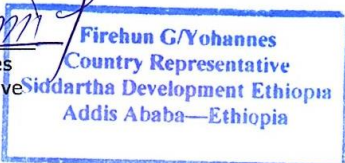
The Management is responsible for the preparation and presentation of the Organization's financial statements, which give a true and fair view of the state of affairs of the Organization for and as at the end of the financial year ended 31 December 2022.

The Management accepts the responsibility for the Organization's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS). The Management is of the opinion that the Organization's financial statements give a true and fair view of the state of Organization's transactions during the financial year ended 31December 2022, and of the Organization's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Organization, which have been relied upon in the preparation of the Organization's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the Organization will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Organization's financial statements were approved by the Management on 25 March 2023 and signed on its behalf by:


Firehun Gebfeyohanes
Country Representative

Siddartha Development Ethiopia
Addis Ababa—Ethiopia


Beneber Teshome
Finance Manager



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**Nigatu Abebe
Certified Audit Firm**

**Independent Auditor's Report
On the Financial Statements of Siddhartha Development Ethiopia**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Siddhartha Development Ethiopia (the Organization), set out on pages 8 to 11, which comprises the statement of financial position as at 31 December 2022, the statement of financial performance, statement of cash flows and statement of changes in net assets/equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies specified on pages 12 to 25.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Organization as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards(IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Organization for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those financial statements on 21 March 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Organization or to cease operations, or have no realistic alternative but to do so. Management is also responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate; they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.



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**Nigatu Abebe
Certified Audit Firm**

Independent Auditor's Report

On the Financial Statements of Siddhartha Development Ethiopia (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and in compliance with local regulatory requirements.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We have audited whether the financial statements comply with the Organizations of Civil Societies Proclamation No. 1113/ 2019.

In our opinion, the financial statements of the Organization for the year ended 31 December 2022 comply with the requirement of the Organizations of Civil Societies Proclamation No. 1113/2019 Article 63 Sub-Article (2) which requires the administrative cost of an Organization may not exceed 20% of its total annual income.


Nigatu Abebe
Certified Audit Firm



25 March 2023
Addis Ababa, Ethiopia



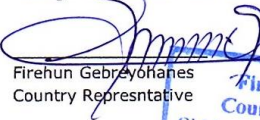
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SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(In ETB)

	Notes	31-Dec-22	31-Dec-21
Assets			
Current assets			
Cash and bank balances	5	9,115,804	19,038,893
Short-term investment	6	7,000,000	-
Receivable from exchange transactions	7	1,072,444	229,632
Prepayments and deposits	8	1,194,234	1,474,914
Inventories	9	3,477,660	2,589,551
		21,860,142	23,332,990
Non-Current assets			
Property, plant and equipment	10	11,560,997	11,412,593
Leasehold land	11	923,906	934,130
		12,484,903	12,346,723
Total assets		34,345,045	35,679,713
Liabilities and net assets/equity			
Liabilities			
Accounts payable	12	17,840	16,207
Government obligations	13	278,243	417,922
Finance lease obligation	15	16,577	16,577
		312,660	450,706
Non-current liability			
Finance lease obligation	15	828,827	845,405
Accrued staff benefits	14	1,554,574	1,064,104
		2,383,401	1,909,509
Total liabilities		2,696,061	2,360,215
Net assets/equity			
Fund balance		33,319,498	21,918,061
(Deficit)/surplus for the year		(1,670,514)	11,401,437
		31,648,984	33,319,498
Total liabilities and net assets		34,345,045	35,679,713

The notes on pages 12 to 25 are an

The financial statements on pages 8 to 25 were approved and authorized for issue by the Organization Management on 25 March 2023 and were signed on its behalf by:


 Firehun Gebreyohannes
 Country Representative

Firehun G/Yohannes
 Country Representative
 Siddartha Development Ethiopia
 Addis Ababa—Ethiopia


 Finance Manager
 Beneber Teshome



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SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF FINANCIAL PERFORMANCE
AS AT 31 DECEMBER 2022
(In ETB)

	Notes	<u>31-Dec-22</u>	<u>31-Dec-21</u>
Revenue			
Revenue from non-exchange transactions	16.1		
Contributions and donations		32,991,758	32,335,255
Gifts and services-in-kind		<u>1,653,949</u>	<u>455,456</u>
		34,645,707	32,790,711
Revenue from exchange transactions	16.2		
Other income		<u>784,992</u>	<u>1,560</u>
		784,992	1,560
		<u>35,430,699</u>	<u>32,792,271</u>
Expenses			
Program expenses	17.1	30,844,848	17,292,610
Administrative expenses	17.2	<u>5,483,444</u>	<u>3,555,769</u>
		36,328,292	20,848,379
Depreciation	10	762,697	542,454
Amortization	11	<u>10,223</u>	-
Total expenses		<u>37,101,213</u>	<u>21,390,833</u>
(Deficit)/surplus for the year		<u>(1,670,514)</u>	<u>11,401,438</u>

The notes on pages 12 to 25 are an integral part of these financial statements.



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REPORTS AND ANNUAL FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
AS AT 31 DECEMBER 2022
(In ETB)

	<u>Fund Balance</u>	<u>Surplus/(Deficit)</u>	<u>Total net assets</u>
Balance as at 01 January 2022	21,918,061	11,401,437	33,319,498
Transfer to fund balance	11,401,437	(11,401,437)	-
(Deficit) for the year	-	(1,670,514)	(1,670,514)
Balance as at 31 December 2022	33,319,498	(1,670,514)	31,648,984
Balance as at 01 January 2021	14,774,410	7,143,651	21,918,061
Transfer to fund balance	7,143,651.00	(7,143,651.00)	-
Surplus for the year	-	11,401,437	11,401,437
Balance as at 31 December 2021	21,918,061	11,401,437	33,319,498

The notes on pages 12 to 25 are an integral part of these financial statements.



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SIDDARTHA DEVELOPMENT ETHIOPIA
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022
(In ETB)

	Notes	31-Dec-22	31-Dec-21
Cash flows from operating activities			
(Deficit)/surplus for the year		(1,670,514)	11,401,437
Adjustments:			
Depreciation and amortization	10,11	772,921	542,454
<i>Changes in:</i>			
Receivable from exchange transactions	7	(842,812)	(65,473)
Prepayments and deposits	8	280,680	(981,163)
Inventories	9	(888,109)	(1,812,846)
Accounts payable	12	1,634	(613,793)
Salary Payable		-	(352,752)
Government obligations	13	(139,680)	318,655
Accrued staff benefits	14	490,469.80	176,572
Finance Lease Payable	15	(16,577.00)	(16,577)
Other current Liabilities		-	(4,920)
Net cash flows (used in) operating activities		(2,011,987)	8,591,594
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	10	(911,102)	(993,880)
Net cash flows from investing activities		(911,102)	(993,880)
Cash flows from financing activities			
Short-term investment		(7,000,000)	-
Net cash flows from financing activities		(7,000,000)	-
Movement in cash and bank balances		(9,923,089)	7,597,714
Cash and bank balances at the beginning of year		19,038,893	11,441,179
Cash and bank balances at the end of year	5	9,115,804	19,038,893

The notes on pages 12 to 25 are an integral part of these financial statements.



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1 REPORTING ENTITY

SIDDARTHA Development Ethiopia is an foreign, non-governmental organization dedicated to the creation of a self-reliant and empowered self-employed women community and to play a significant role in the alleviation and ultimately eradication of absolute poverty in the country. The Organization envisions a nation where absolute poverty is eradicated, and women play active part in development.

SIDDARTHA Development Ethiopia exists to work with children living with HIV/AIDS, low-income women and girls, street children and homeless people, youth group and elderly in their efforts to become economically empowered, develop resilient families and become active players and beneficiaries in the development of Ethiopia.

SIDDARTHA Development Ethiopia is a not for profit organization registered & accorded legal personality with the FDRE Agency for Civil Society Organization (CSO) under registry No. 1343 on June 25, 2019 as foreign Organization in accordance with Civil Society Organizations (CSO) proclamation No. 1113/2019.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of SIDDARTHA have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), Organizations of Civil Societies Proclamation No. 1113/2019 and the Organization's accounting policies.

2.2 New standards and Interpretation not yet adopted

2.2.1 IPSAS 41, Financial Instruments

IPSAS 41 'Financial Instruments, the standard establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement.

The standard is to be effective from 1 January 2023. Although early adoption is permitted, the Organization did not apply this standard for the year ended 31 December 2022.

2.2.2 IPSAS 42, Social Benefits

The standard's objective is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements.

The standard is to be effective from 1 January 2023. Although early adoption is permitted, the Organization did not apply this standard for the year ended 31 December 2022.

2.2.3 IPSAS 13, Leases

For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13. An entity shall apply this Standard for annual financial statements covering periods beginning on or after 01 January 2025. Earlier application is permitted for entities that apply IPSAS 41, at or before the date of initial application of this Standard. If an entity applies this Standard earlier, it shall disclose that fact. The Organization did not apply this standard for the year ended 31 December 2022.

2.3 Basis of preparation

The financial statements have been prepared on an accrual basis of International Public Sector Accounting Standards (IPSASs), using the historical cost convention. The cash flow statement is prepared using the indirect method. The accounting policies have been consistently applied to all the years presented.

The financial statements are presented in Ethiopian Birr (ETB).

2.4 Use of estimates and judgement

The preparation of financial statements in conformity with IPSAS requires Management to make judgement, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised and in any future year affected.



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2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION(CONTINUED)

2.4 Use of estimates and judgement (Continued)

Key estimates Management has made in preparing the financial statements concern the lives of property, plant and equipment which are further disclosed in Note 4.4 and Note 8.

2.5 Change in accounting policies and estimates

The Organization recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

2.6 Going concern

The financial statements were prepared on a going concern basis which assumes the Organization will continue in operation and will meet its mandate for the foreseeable future. The Management of the Organization have not communicated any intention to terminate the Organization or to cease its operations

2.7 Authorisation for issue

These financial statements are certified and approved by Management on 25 March 2023.

3 FINANCIAL RISK MANAGEMENT

The Organization's operations expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and compliance/regulatory risks.

3.1 Market risk

Foreign exchange currency risk

The Entity receives contributions in currencies other than the Ethiopian Birr and it is exposed to foreign exchange currency risk arising from fluctuations in currency exchange rates. Translation into Ethiopian Birr of transactions expressed in other currencies is done at the prevailing rates of Exchange at the date of transaction.

Price risk

The Entity does not hold any financial instruments subject to price risk.

Cash flow, fair value and interest rate risk

The Entity does not hold any bank loans and loans from related parties subject to cash flow, fair value and interest rate risk.

3.2 Credit risk

The Entity has large amount of receivable that are due to be provided by contributors and donors. Credit risk is the risk of financial loss to SIDDARTHA Development Ethiopia if donors fail to meet their promises. The Entity has a very good record of collecting all amounts due. Therefore the risks related to credit are considered minor.

Credit risk arises from cash and short term deposits with banks. The Entity does not have any significant concentrations of credit risk.

The amount that best represents the Entity's maximum exposure to credit risk at 31 December 2022 is made up as follows:

SIDDARTHA Ethiopia	31-Dec-22	31-Dec-21
Cash and bank balance	9,115,804	19,038,893
Balance	9,115,804	19,038,893

No collateral is held for any of the above assets.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

4.2 Cash and cash equivalent

Cash comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of 3 months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks of Ethiopia at the end of the financial year.



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4 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.3 Inventories

Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost or current replacement cost. Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the FIFO valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), cost shall be measured at its fair value at the date of acquisition.

**4.4 Property, plant and equipment
 Recognition and measurement**

All property, plant and equipment is stated at historical cost except building stated at the amount for which an asset could be replaced (as determined by an insurance company) as deemed cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is ETB 10,000 per unit.

SIDDARTHA Development Ethiopia elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to SIDDARTHA Development Ethiopia and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that SIDDARTHA will obtain ownership by the end of the leased term.

The estimated useful lives are as follows:

<i>Class</i>	<i>Estimated useful life (in years)</i>
Building	50
Motor Vehicles	20
Office Equipment	5
Office furniture & fixture	5
Machineries	10
Leasehold improvements	Shorter of lease term or life of applicable

The Entity commences depreciation when the asset is available for use. And ceases depreciation of an asset when the asset is derecognized.

Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.5 Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. Acquired intangible assets are capitalized based on costs incurred to acquire and bring to use the specific assets. The threshold for recognition of intangible asset is ETB 50,000.00 per unit.

Amortization

Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets as per the life of the license/agreement from the service provider.

Given the expected pattern of usage of intangible assets, there are no residual values following full amortization.



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4 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.6 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Entity operates ('the functional currency'). The functional currency and presentation currency of the SIDDARTHA is the Ethiopian Birr (ETB).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Entity's functional currency are recognized in statement of financial performance. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Year end balances of monetary assets and liabilities denominated in foreign currencies are converted into ETB on the basis of the exchange rate applying as at the year end.

4.7 Employee benefits

4.7.1 Short-term employee benefits

Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g. wages and salaries), compensated absences (e.g. paid leave, such as annual leave), other short-term and non-monetary benefits, and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

4.7.2 Defined contribution plan/pension & provident fund contribution

SIDDARTHA Development Ethiopia has two defined contribution plans:

- i) Pension scheme in line with the provisions of Ethiopian pension of private organization employees proclamation 715/2011. Funding under the scheme is 7% and 11% by employees and the Company respectively;
- ii) As regards those fall under the provident fund scheme, the SIDDARTHA contribution of up to a maximum of twelve (12%) percent and the employee contributes ten (10%) of his/her monthly basic salary.

Employer's contributions to this scheme are charged to statement of financial performance in the period in which it relates.

The contributions are treated as payments to a defined contribution plan. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate pension entity fund. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The contributions are recognized as employee benefit expense when they are due.

4.7.3 Other long-term employee benefits

Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of paid annual leave and severance benefits. These are recognized as non-current liabilities and are measured based on management estimate of severance pay to those employees who have served SIDDARTHA at the reporting dates. The current salary has been used to determine the entitlement.

Paid Annual Leave

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognized as an expense accrual. SIDDARTHA recognizes and accrues leave based on the number of outstanding leave days as at the financial year end. The payment is based on an employees monthly basic salary prorated to the average number of working days in the last financial year end month.



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4 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.7 Employee benefits(Continued)

Employees are entitled for leave based on year of service as follows:

<i>Duration of work</i>	<i>Annual leave entitlement</i>
1 st Year	14
2 nd Year	15
3 rd Year	16
Increased by 1 day for additional year up to a maximum of 30 days.	

Severance benefits

The severance benefits are based on the statutory severance benefit as set out in Labor Proclamation No. 1156/2019 and/or as per entity Human resource policy. The entitlement to this benefit is based upon the employees' length of service.

Severance pay amounts to:

30 times the average daily pay of the last week of service for the first year of service. (For less than one year of service, severance pay should be calculated in proportion of the period of service),

If the worker has served for more than a year, severance pay shall be increased by 1/3 of the previous sum (that is 10 days' wages) for every additional year of service, within a limit of a total amount of 12 months' wages.

The expected costs of these benefits are accrued over the period of employment.

4.7.4 Termination benefits

Termination benefits are recognized as an expense only when SIDDARTHA Development Ethiopia is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

4.8 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the statement of financial performance on a straight-line basis over the lease term.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Right-to-use arrangements

Where SIDDARTHA Development Ethiopia has signed an agreement for the right-to-use assets without legal title/ownership of the assets, e.g., through donated use granted to SIDDARTHA Development Ethiopia at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Revenue is also recognized at the same amount as the asset, except to the extent that a liability is also recognized.



4 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.9 Provisions and contingencies

Provisions

A provision is recognized if, as a result of a past event, SIDDARTHA Development Ethiopia has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

4.10 Revenue recognition

Revenue from non-exchange transactions

Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or when cash is received in the absence of contribution agreements. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to SIDDARTHA and the fair value of those assets can be measured reliably. Siddhartha Development Ethiopia disclose contributions of services in-kind if services doesn't meet the definition of an asset.

Revenue from exchange transactions

Exchange transactions are those in which SIDDARTHA Development Ethiopia sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met.

Contribution in-kind and in-service

Contributions in-kind and in-service received by SIDDARTHA Development Ethiopia are recorded upon receipt from the contributor at an amount equal to their fair market value as determined at the time of acquisition. Donated PPE and inventories are recognized as an asset with the corresponding entry to revenue. Other in-kind or in-service contributions are recognized as revenue with a corresponding entry to expense.

Miscellaneous Revenue (exchange transactions)

Miscellaneous revenue includes foreign currency revaluation, exchange rate gains and losses, interest earned, realized gains and losses, and gains and losses from the sale of property, plant, and equipment.

4.11 Expense recognition

Under accrual accounting, expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.



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4 SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.12 Change in accounting policies and estimates

SIDDARTHA Development Ethiopia recognizes the effect of change in accounting policy and change in accounting estimates retrospectively at the date of adoption and after adoption of IPSAS, change in accounting estimates applied prospectively and change in accounting policy applied retrospectively.

4.13 Statement of cash flow

The cash flow statement is prepared using the indirect method permitted under IPSAS 2. This means that the actual result for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cash flows.

The cash flow statement reports cash flows during the period classified by operating and investing activities and the financing activities.

4.14 Related parties

The entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key Management are regarded as related parties and comprises Country Representative, Program Manager and Finance Manager.



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5 Cash and bank balances

Cash and bank balances are held for the purpose of meeting the short-term cash requirements of the SIDDARTHA, rather than for longer-term investment purposes. They are held on behalf of the Entity. The figures include cash and cash equivalents held in hand and at various banks in Ethiopia at the end of the financial year.

	31-Dec-22	31-Dec-21
Cash at bank	9,115,804	19,036,241
Cash on hand	-	2,653
	<u>9,115,804.0</u>	<u>19,038,893</u>

Cash at bank comprises of current accounts maintained at different banks and held for the purpose of meeting cash requirements of the Organization.

6 Short-term investment

	31-Dec-22	31-Dec-21
Fixed time deposit	7,000,000	-
	<u>7,000,000</u>	<u>-</u>

The Organization made short-term investment birr 7,000,000 at NIB International bank with interest 12.9% per annum. Fixed time deposit was made from the Organization cash not needed immediately to implement program activities. The Organization realized net interest income birr 784,991.51 from short-term investment as of 31 December 2022.

7 Receivable from exchange transactions

	31-Dec-22	31-Dec-21
Staff advance	250,000	-
Work advance	9,000	-
Account receivable	14,000	-
Receivable from insurance	14,452	-
Interes income receivable	784,992	-
Inter project receivable UPSNP	-	229,632
	<u>1,072,444</u>	<u>229,632</u>

As at 31 December 2022, SIDDARTHA did not have any impairment from receivable from exchange transactions.

8 Prepayments and deposits

	31-Dec-22	31-Dec-21
Prepayment for shelter rent	1,100,333	-
Prepayment for medical insurance	64,434.82	-
Prepayment for property insurance	29,465.77	-
Other receivables	-	1,474,914
	<u>1,194,234</u>	<u>1,474,914</u>

9 Inventories

Food for Beneficiaries-Program	2,284,036	2,061,363
Cleaning and Sanitation for s	266,169	125,282
Stationery and Prininting benef	259,323	176,129
Cloth & Shoes for Benefiariers	327,727	10,642
Traning Material for Beneficie	138,700	121,140
Medical Supply	108,705	24,995
Fuel coupon	93,000	70,000
	<u>3,477,660</u>	<u>2,589,551</u>



Cost is calculated using the FIFO cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.



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10 Property, plant and equipment

SIDDARTHA has four (4) broad categories of property, plant and equipment that fulfil the asset recognition criteria

PPEs are capitalized if their cost is greater or equal to the threshold limit set at ETB 10,000.00. They are depreciated over the asset's estimated useful life using the straight line method. The threshold level is reviewed periodically.

Property, plant and equipment Reconciliation

Cost	Building	Motor Vehicles	Machineries	Office Equipment	Office Furniture	Total
As at 1 Jan 2022	9,000,000	3,770,000	926,144.00	1,017,410	74,340	14,787,894
Additions	-	-	292,510	585,594	32,998	911,102
Transfer/Disposal	-	-	-	-	-	-
As at 31 Dec 2022	9,000,000	3,770,000	1,218,654	1,603,004	107,338	15,698,996
Accumulated depreciation						
As at 1 Jan 2022	1,288,110	1,611,041	358,626	107,034	10,490	3,375,301
Charge for the year	180,000	188,500	105,840	268,590	19,768	762,697
Transfer/Disposal	-	-	-	-	-	-
As at 31 Dec 2022	1,468,110	1,799,541	464,466	375,624	30,258	4,137,998
Net book value:						
As at 1 Jan 2022	7,711,890	2,158,959	567,518	910,376	63,850	11,412,593
As at 31 Dec 2022	7,531,890	1,970,459	754,188	1,227,380	77,080	11,560,997

In order to ensure appropriate control and stewardship over property, plant and equipment, existing assets which are below the threshold, i.e. ETB 10,000.00, have been recorded in the asset register offline.

Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. As at 31 December 2022 SIDDARTHA did not have any impairment on property, plant and equipment.

11 Leasehold land

Cost	Lease 1	Lease 2	Total
As previously reported	-	-	-
Leasehold land adjustment	661,500	350,625	1,012,125
As re-instated	661,500	350,625	1,012,125
Amortization			
As previously reported end 2021	47,780	30,216	77,996.00
Add: Amortization - 2022	6,682	3,542	10,223
Total Accumulated Amortization-2022	54,462	33,758	88,219
Net book value - 2022	607,038	316,867	923,906

Lease 1

The Company has leased 375m2 land under 60 years period of land lease agreement from the Addis Ababa City Government Land Development Management Bureau 10/10/2006 E.C at a total cost of ETB 350,625. For the total lease period 99 years. The company paid a down payment of ETB 17,531.25 and first year lease payment 5,551.56 at the date of lease signed.

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11 Leasehold land(Continued)
Leas 2

The Company has leased 500m2 land under 60 years period of land lease agreement from the Addis Ababa City Government Land Development Management Bureau 26/02/2007 E.C at a total cost of ETB 661,500. For the total leas period 99 years. The company payed first year leas payment ETB 11,025 at the date of leas signed.

12 Accounts Payable

	31-Dec-22	31-Dec-21
Accounts Payable	<u>17,840</u>	<u>16,207</u>
	17,840	16,207

13 Government obligations

	31-Dec-22	31-Dec-21
Income tax payable and pension	251,097	357,541
Withholding tax Payable	<u>27,146</u>	<u>60,382</u>
	278,243	417,923

14 Employee Benefits

	31-Dec-22	31-Dec-21
Severance Payable	<u>1,554,574</u>	<u>1,064,104</u>
	1,554,574	1,064,104

SIDDARTHA operates an unfunded severance pay plan for its employees. The final pay-out is determined by reference to current benefit's level (monthly salary) and number of years in service and is calculated as 1 month salary for the first year in employment plus 1/3 of monthly salary for each subsequent in employment to a maximum of 12 months final monthly salary. (Ethiopian Labour Law -Article 39-40).

The liabilities arising from post-employment benefits(accrued severance) are established in accordance with the Ethiopian Labor Law -Article 39-40.



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15 Finance Leas obligation

For each leas obligation annual interest is calculated on the outstanding balance by an interest rate 11.5% per annuen.

	Lease 1	Lease 2	Total
Balance as previously reported	-	-	-
Adjustment	661,500	350,625.00	1,012,125
Balance at 31 December 2021	661,500	350,625.00	1,012,125
	573,300	288,681.27	861,981
Repayment during 2022	11,025	5,551.56	16,577
Balance at 31 December 2022	562,275	283,130	845,405
Non-current obligation	551,250	277,578	828,828

16 Revenue

16.1 Revenue from non-exchange transactions

	31-Dec-22	31-Dec-21
Contributions and donations	32,991,758	32,335,255
Gifts and services-in-kind	1,653,949	455,456
	34,645,707	32,790,711

16.2 Revenue from exchange transactions

	31-Dec-22	31-Dec-21
Other income	784,992	1,560.00
	784,992	1,560.00

Contribution and Donations

The amounts shown for the contributions and donations represent actual revenue related to the contribution from External Donation-Belgium, International Donation MoLSA and Personal Donation.

Gifts and services-in-kind

The amounts shown for the other income represent actual revenue related to the contribution from Local and foreign donation of inkind

Other Income

The amounts shown for the other income represent interest income from short- term investment.

17 Expenses

17.1 Program expenses

	31-Dec-22	31-Dec-21
Salary for Program Staff	4,479,995	3,332,083
Over time Payment	57,188	37,916
Transport Allowance	346,867	209,076
Telephone Allowance	39,979	20,900
Penssion Contribution	357,243	217,904
Provident Fund	167,917	110,226
Volenteers Transport Payment	1,813,900	567,235
Part time workers Incentive	59,519	31,080
Severance Payment	215,882	298,878
Annual Medical Insurance	111,516	13,070
Insurance Renewal for Vehicle	27,116	-
Shelter Rent For Beneficiaries	3,028,653	2,190,775
Shelter Facilities - Equipment	47,366	18,250
Shelter Facilities - Furniture	2,668	362,660
Shelter Room Bed and Others	146,932	668,309
Food Stuff For Beneficiaries	4,421,834	2,315,322
Educational Materials and Fees	419,895	324,618
Cloth& Shooe for Beneficiaries	712,336	366,004



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17.1 Program expenses(Continued)

Medical cost for Beneficiaries	359,946	177,613
Pocket Money for Beneficiaries	39,575	29,665
Training Materials Purchase	454,908	439,681
Training Equipment Purchase	41,238	500
Training Machinerics Purchase	-	1,820
Repair& Maintenance of Shelter	1,198,472	791,322
Repair& Maintenance of Vehicle	76,773	168,509
Repair& Maintenance of Equipm.	95,117	24,846
Repair& Maintenance of Furniture	2,155	1,017
Repair& Maintenance of Machine	8,767	7,050
Communication (Internet & Tell)	24,408	37,576
Utility (Water & Electricity)	394,391	210,752
Kitchen and Dining Materials	108,312	159,651
Stationary and Office Supplies	94,992	33,085
Psychosocial Support	293,538	85,695
Cleaning & Sanitation Material	365,978	262,314
Fuel & Lubrication For Program	115,075	78,125
Rent Support for Beneficiaries	81,800	57,000
Individual Life Support	264,479	55,000
Local Community Support	749,821	581,834
Benefeciaries Selection	70,349	25,878
Benefeciaries Welcoming	73,367	28,000
Life Skill Training for Benefi	35,634	22,128
Technical Skill Training for B	14,800	
Staff Training and Education	8,850	27,275
Children With Special Support	11,000	3,000
Recreation and Celebration	254,682	100,292
Recreation and Sport	42,551	35,883
Benefeciaries Graduation	81,201	32,806
Benefeciaries Reunification	4,686,700	2,260,434
Printing & Publication Expense	8,000	
Apparent ship and COC Expense	75,412	19,724
Travel and Perdiem Payment	139,710	221,370
Transport Support to Beneficia	55,155	21,817
Award For Benefeciaries	2,576	3,870
Pocket Money for Old & Sick Be	47,400	52,000
Seed Money for Benefeciaries	3,587,781	
Basic Business Skill Taining		3,000
Staff Uniform and Gown	22,020	35,264
Extra Investment	6,015	8,646
Rent (Lease Payment)	166,164	103,863
Monitoring and Evaluation	228,930.00	-
Total program expenses	30,844,848	17,292,610

17.2 Administative expenses

Salary for administrative staff	3,298,380	2,374,515
Over time payment	75,465	45,838
Transport Allowance	98,400	61,760
Telephone Allowance	18,000	10,550
Pension Contribution	202,900	94,894
Provident Fund	180,234	130,533
Severance Payment	274,588	100,418
Medical Insurance Payment	37,770	18,033
Repair& Maintenance of Office	78,805	890



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17.2 Administrative expenses(Continued)

Repair& Maintenance of vehicle	61,159	116,937
Repair& Maintenance- Equipment	3,240	11,421
Repair& Maintenance- Furniture	-	1,020
Office Equipment Purchase	-	15,369
Office Furniture Purchase	-	126,050
Staff Training and Education	34,865	32,615
Communication-Int., Tell & Fax	84,655	51,815
Advertising and Networking	1,000	7,139
Utility (Water & Electricity)	12,486	15,684
Cleaning & Sanitation Material	16,280	20,139
stationary and Office Supplies	72,240	36,223
Insurance renewal for Vehicles	22,509	45,203
Insurance Renewal for House	4,858	4,672
Annual Audit Service Fee	55,000	28,000
Annual Membership Fee	12,500	7,500
Fuel and Lubrication- Admin.	67,361	40,565
Transport and Perdiem Payment	474,629	95,638
Entertainment and Meeting	109,368	21,173
Bank Service Charge	49,402	15,694
Uniform for Gards, Cookers and	400	-
Annual Staff Meeting	-	-
Postal Service Expense	1,239	4,889
Printing & Publication Expense	72,554	11,960
Staff Refereshement Expense	-	2,575
Mescellaneous Office Expense	63,158	6,055
Rent (Lease Payment)	-	-
Total administrative expenses	5,483,444	3,555,769

Depreciation & amortization		
Depreciation charge for the year	762,697	532,230
Amortization	10,223	10,223
Total	772.921	542.453
Total expenses	37,101,213	21,390,833

18 Regulatory requirements

In accordance with the Organizations of Civil Societies Proclamation No. 1113/2019, Civil Society Organizations are required to present their annual expenses by classifying as program and administrative expenses.

The Proclamation requires the administrative expenses of an Organization may not exceed twenty percent (20%) of its total income.

The allocation of percentage is based on the requirement of the Organizations of Civil Societies Proclamation No. 1113/2019 Article 63 Sub-Article (2) and Civil Society Organizations' Administrative Expense Implementation Directive No. 847/2021 Article 9 Sub-Article (2).

<u>Allocation of expenses</u>	<u>31-Dec-22</u>	<u>% from the total income</u>	<u>31-Dec-21</u>	<u>% from the total income</u>
Administrative expenses	5,483,444	15%	3,555,769	11%

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19 Related party disclosures

Related party transactions represent transactions with the senior management of SIDDARTHA and entities in which they are principal owners or over which they exercise significant influence.

Transactions with related parties included in the statement of financial performance are as follows:

	31-Dec-22	31-Dec-21
Contribution from the donors	32,969,917	32,335,255
Transfers from other entities	<u>2,503,540</u>	<u>457,016</u>
	35,473,457	32,792,271

Key management personnel are the Country Representative, Program Manager and Finance Manager as they have the authority and responsibility for planning, directing and controlling the activities of the Organization. Key management personnel are also qualified for post-employment benefits at the same level as other employees.

Key Management Personnel	31-Dec-22	31-Dec-21
Number of positions	3	3
Salaries and other short-term employee benefits	2,574,329	1,885,767
Transport allowance	79,200	44,400
Telephone allowance	22,200	9,000
Other expenses (Provident fund and Pension contribution)	<u>308,919</u>	<u>226,292</u>
Total remuneration	2,984,649	2,165,460

20 Provisions

As at 31 December 2022, the Organization had not recognized any provisions.

21 Commitments

The Organization has committed to purchase motor vehicle with a value of birr 2,301,052 at the end of 31 December 2022. The motor vehicle will be available for intended use in the subsequent year.

22 Comparatives

Certain figures and line items for the year ended 31 December 2021 have been reclassified to facilitate comparison.

23 Events after the reporting date

SIDDARTHA Ethiopia reporting date is 31 December 2022. On the date of the signing of these accounts, no material events, favorable or unfavorable, had been incurred between the reporting date and the date when the financial statements were authorized for issue that would have had an impact on the financial statements.

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